

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE MUHLENBERG)	
COUNTY WATER DISTRICT, A WATER)	
DISTRICT ORGANIZED PURSUANT TO)	
CHAPTER 74 OF THE KENTUCKY REVISED)	CASE NO. 9262
STATUTES FOR A GENERAL ADJUSTMENT)	
OF RATES AND REVISION OF RATES)	

O R D E R

On January 26, 1984, Muhlenberg County Water District ("Muhlenberg") filed an application with the Public Service Commission ("Commission") seeking approval of a purchased water adjustment clause and authority to adjust its rates in accordance with that clause (Case No. 6948-1, Purchased Water Adjustment of Muhlenberg County Water District). The application was filed as a result of increases in the wholesale water rate of Muhlenberg's supplier, Central City Municipal Water and Sewer System ("Central City"), which Muhlenberg requested to pass on to its customers.

Subsequently, on March 28, 1984, prior to a determination in Case No. 6948-1, Muhlenberg filed an application with the Commission seeking a general rate adjustment and approval of a demonstration project to correct excessive water loss problems.

Due to numerous complexities in Muhlenberg's operations, the Commission entered an Order in Case No. 6948-1 on April 27, 1984, approving the purchased water adjustment clause, denying the

rate adjustment requested therein and consolidating that case with Case No. 9019.

On September 4, 1984, Muhlenberg filed its annual financial report with the Commission for calendar year 1983. On September 7, 1984, Muhlenberg filed a motion wherein it stated its belief that all necessary information had been filed and therein requested that this matter be set for hearing as soon as possible.

On September 26, 1984, the Commission entered a further Order adopting calendar year 1983 as the test year and finding that Muhlenberg's requested purchased water adjustment should be treated as a request for an interim increase for which a public hearing is not necessary.

On October 26, 1984, the Commission issued an Interim Order granting a revenue increase, \$.48 per 1,000 gallons or approximately \$133,425 annually, subject to refund, in the form of a purchased water adjustment. On December 14, 1984, Muhlenberg completed its application by filing its rate study which requested an annual increase in revenues of \$302,499, or an increase of 46 percent above reported test-period revenues.

By Order issued January 28, 1985, the Commission dismissed without prejudice Muhlenberg's rate increase application in Case No. 9019 due to the expiration of the 10-month period. Therein, the Commission stated that it would reconsider Muhlenberg's rate request in a new docket and incorporate all material from Case No. 9019 into this new docket. The Commission also found that the interim rates approved for Muhlenberg County on October 26, 1984, are fair, just and reasonable and Muhlenberg should be allowed to

charge those rates from January 28, 1985, until a final Order is issued in this case.

On June 11, 1985, a hearing was conducted, in which no intervenors participated, on the issues of Muhlenberg's general rate increase and request for inclusion in the Commission's Water Loss Demonstration Project. On June 25, 1985, with the filing of information requested at the hearing, the record in this case was complete.

This Order addresses the Commission's findings and determinations with regard to its investigation of Muhlenberg's revenue requirements and request for inclusion in the Commission's Water Loss Demonstration Project. This Order affirms the interim revenues granted of \$133,425 annually, and establishes rates and charges which will produce approximately \$91,747 in additional annual revenue, or \$225,172 in total additional revenues, which is approximately a 34 percent increase in operating revenues.

COMMENTARY

Muhlenberg is a non-profit water district which serves approximately 3,500 residences in the southern two-thirds of Muhlenberg County.

TEST PERIOD

The Commission has adopted the 12-month period ending December 31, 1983, as the test period for determining the reasonableness of the proposed rates. In utilizing the historical test period, the Commission has given full consideration to known and measurable changes found reasonable.

REVENUES AND EXPENSES

Muhlenberg proposed several adjustments to revenues and expenses in its application. The Commission is of the opinion that the proposed adjustments are proper and acceptable for rate-making purposes with the following modifications:

Normalized Revenue

On October 26, 1984, the Commission issued an Interim Order granting Muhlenberg an increase of \$0.48 per 1,000 gallons or approximately \$133,425 annually. Therefore, Muhlenberg's test year revenue in the amount of \$661,474 should be adjusted to include the interim increase of \$133,425. This results in normalized test year revenue in the amount of \$794,899.

Purchased Water

Muhlenberg reported \$243,034 in test-period purchased water expense. Muhlenberg proposed an adjustment of \$129,961 annually to increase purchased water expense based upon current supplier rates, full recovery of unaccounted-for water of 25.1 percent, and the estimated usage of 293 additional customers connected to the system as of November 30, 1984.¹

The Commission is of the opinion that the inclusion of the usage of the additional 293 customers is too far beyond the test period to provide meaningful estimates of cost and revenue effects and does not meet known and measurable criteria. The Commission is also of the opinion that Muhlenberg is only entitled to a

¹ Exhibit No. 15 of Application dated December 14, 1984.

maximum 15 percent unaccounted-for water for rate-making purposes. Based on a maximum unaccounted-for water of 15 percent, actual test-period gallonage sold of 291,987.3 thousand gallons, and the current supplier rate of 89.1 cents per thousand gallons, the Commission has determined purchased water expense to be \$306,071 annually. Therefore, the Commission has increased test-period purchased water expense by \$63,037 annually.

Maintenance of Mains

Muhlenberg reported \$26,166 in test-period Maintenance of Mains expense and had proposed an adjustment of \$19,000 annually for expenses associated with its plan to be included in the Commission's Water Loss Demonstration Project.² The Water Loss Demonstration Project and related adjustments will be discussed elsewhere in this Order.

A breakdown of test-period reported Maintenance of Mains Expense showed that \$10,936 had been spent to overhaul certain pumping stations, and \$3,292 (invoices of \$200, \$2,111 and \$981) had been expended for materials to install new water lines.³ When asked to provide supporting invoices and to provide reasoning why these expenditures should not be capitalized for rate-making purposes, Muhlenberg stated that the expenditure of \$3,292 for new water lines should be capitalized;⁴ however, Muhlenberg stated

² Exhibit No. 13 of Application dated December 14, 1985.

³ Response to Item No. 40 of Commission's First Data Request.

⁴ Response to Item No. 3 of Commission's Second Data Request.

that the expenditure of \$10,936 on certain pumping stations was indeed for repairs.⁵ When Charles R. Lewis, the C.P.A. for Muhlenberg, was asked whether he agreed that the particular repairs as described on the supporting invoice would extend the useful life of the pumping stations, he stated they would.⁶

The Commission concurs with Mr. Lewis that the \$10,936 expenditure prolongs the useful life of the pumping equipment and has reduced Maintenance of Mains by \$10,936 for the extraordinary repair. The Commission also agrees that the expenditure of \$3,292 for new water lines should be capitalized and has reduced Maintenance of Mains by \$3,292. These items have been capitalized and an appropriate depreciation expense is recognized elsewhere in this Order.

Office Supplies and Other Expenses

Muhlenberg reported \$11,450 in test-period Office Supplies and Other Expenses. Muhlenberg proposed no adjustment to this expense item.

A breakdown of test-period Office Supplies and Other Expenses revealed that \$209 was spent for a calculator, \$210 was spent for a file cabinet, and \$718 was expended for a lateral file.⁷ The Commission is of the opinion that expenditures of this nature benefit more than one accounting period and has reduced test-period Office Supplies and Other Expenses by \$1,137. The

⁵ Response to Item No. 2 of Commission's Second Data Request.

⁶ Transcript of Evidence ("T.E."), p. 232, dated June 11, 1985.

⁷ Response to Item No. 4, Commission's Second Data Request.

Commission has capitalized these items and has recognized an appropriate amount of depreciation expense elsewhere in this Order.

Property Insurance Expense

Muhlenberg reported test-period Property Insurance Expense in the amount of \$8,021 annually. Muhlenberg proposed no adjustment to this expense.

A breakdown of test-period Property Insurance Expense showed that two premiums, Royal Globe Insurance premiums of \$150 and \$815, were expended for insurance coverage in effect prior to the test-period. Since these expenditures were retroactive and did not benefit the period in which the rates will be effective, the Commission has reduced test-period Property Insurance Expense by \$965 annually for rate-making purposes.

Wages and Salaries

Muhlenberg reported \$133,357 in test-period Wages and Salaries expenses. Muhlenberg proposed an adjustment of \$41,106 annually based upon the 1984 salary levels and an additional \$10,000 to annualize the salary of Muhlenberg's new general manager who began employment in July, 1984.⁸ Included in the reported test-period wages and salaries was \$20,434 in part-time wages.⁹

The beginning of the test-period weekly wages of \$2,149 was comprised of: one superintendent at \$314 weekly; one assistant

⁸ Revised Exhibits No. 14 and No. 15, dated June 24, 1985.

⁹ Item No. 2 of Data filed June 24, 1985.

superintendent at \$5.09 per hour; two meter readers at \$5.09 per hour; three laborers at an average \$4.92 per hour; one bookkeeper at \$5.50 per hour, and two clerks at \$5.17 per hour.¹⁰ The end of the test-period weekly wages of \$3,040 was comprised of: four part-time laborers at \$4.75 per hour; one part-time clerk at \$4.50 per hour; one superintendent at \$337 per week; one assistant supervisor at \$6.18 per hour; two meter readers at \$5.47 per hour; two laborers at \$5.47 per hour; one bookkeeper at \$5.91 per hour, and two clerks at \$5.56 per hour.¹¹ A general pay raise of 9 percent was granted in January 1982. The Commission also requested the basis of the proposed amount of wages and salaries to include for each employee a job description, rate of compensation, weekly hours worked, and justification of any wage increase above the 1983 increase in the Consumer's Price Index of 3.6 percent; however, this information was not provided.¹²

An analysis of the information contained in the previous two paragraphs reveals that Wages and Salaries were increased by 9 percent in 1982 and from a minimum of 7.45 percent in the case of the bookkeeper to a maximum of 21.4 percent in the case of the assistant superintendent in 1983. If it could be assumed that no other employees were hired in addition to the general manager, it can be assumed that the proposed amount of wages and salaries is

¹⁰ Response to Item No. 9, Commission's First Data Request.

¹¹ Response to Item No. 10, Commission's Second Data Request.

¹² Response to Item No. 11, Commission's First Data Request.

18.7 percent above test-period wages and salaries. However, this cannot be assumed from the evidence of record. The evidence shows that test-period part-time labor wages of \$20,434¹³ are no longer being paid.¹⁴ The evidence further shows that current part-time wages of approximately \$12,000¹⁵ are funded by a grant from the Muhlenberg County Government to pay for the installation of new lines.¹⁶ Furthermore, the evidence shows that there are currently 12 permanent employees including the general manager.¹⁷ However, there is no evidence in this case record which provides sufficient documentation of the proposed amount of annual wages and salaries. Furthermore, the Commission is of the opinion that the method chosen by Muhlenberg to support its proposed adjustment is unreliable and flawed because the method does not detail the change in part-time labor costs, the capitalization of labor costs, nor the number of employees on the payroll.

There are three additional issues of concern to the Commission pertaining to the proposed amount of wages and salaries:

First, the Commission is concerned with the high wage increases in 1982 and 1983 when compared with the increase in the Consumer's Price Index of 3.9 percent and 3.6 percent in 1982 and

¹³ Item No. 2 of Data filed June 24, 1985.

¹⁴ T.E., p. 165.

¹⁵ Ibid., p. 166.

¹⁶ Ibid., p. 164.

¹⁷ Ibid., p. 166.

1983, respectively. Muhlenberg stated that such wage increases were necessary to bring Muhlenberg's wage structure in line with that of the county government. The Commission is not fully convinced by this argument, as the predominate employer in Muhlenberg's area is the coal industry, which is operating at substantially less than full capacity, thus creating a large pool of experienced unemployed workers. It is the Commission's opinion that such a depressed job market would tend to restrain the growth of wage rates in a competitive environment. Nevertheless, the level of wage rates that existed during the test period does not appear excessive, although the Commission admonishes Muhlenberg to carefully consider the prudence of any future wage increases.

Second, the nature of Muhlenberg's wage and salary adjustment accounts for events occurring fully a year beyond the test period. The Commission is of the opinion that isolated adjustments occurring as much as a year beyond the accepted test period, without consideration of all other changes which may occur, both positive and negative, can materially distort projected earnings and result in a mismatch between revenues, expenses and capital. An example is the additional salary of the new general manager. The new general manager should increase coordination between Muhlenberg's office operations and field operations and should improve the scheduling of and the purchasing of material for maintenance, repairs, and system extensions, thus, possibly reducing maintenance costs, excessive unaccounted-for water, and reduce the need for outside services. However, there

were no adjustments to the test period to reflect any such economies.

The final issue of concern to the Commission is the proposed expensing of part-time labor hours almost exclusively devoted to the installation of new line additions and capital additions funded by a grant from the county government. The part-time labor hours should not be expensed, but should be capitalized, as benefits from the expenditure are derived over a considerable time period. Furthermore, the part-time labor is funded by a Contribution in Aid of Construction and Muhlenberg has no investment in the part-time labor. As depreciation expense is a return of investment, Muhlenberg is not entitled to depreciation expense associated with this item for rate-making purposes.

Therefore, the Commission denies Muhlenberg's proposed adjustment of \$41,106 to increase Wages and Salaries on the grounds that Muhlenberg has not provided an adequate basis for the adjustment, and that the proposed adjustment creates a mismatch of revenues, expenses and capital. Additionally, the Commission has reduced test-period Wages and Salaries by the amount of part-time labor of \$20,434 which is no longer being paid.

Depreciation Expense

Muhlenberg reported \$99,123 annually in test-period Depreciation Expense. Muhlenberg proposed an adjustment of \$27,677 annually for Depreciation Expense for rate-making purposes after exclusion of depreciation associated with contributed

property in the amount of \$40,149.¹⁸ The assets subject to depreciation were classified into five depreciable categories: 35-year utility plant, 3-year transportation equipment, 25-year structures, 10-year pumping equipment, and 5-year other.

As all useful lives as proposed by Muhlenberg were shorter than the useful lives as outlined by the National Association of Regulatory Utility Commissioners' publication Depreciation Practices for Small Water Utilities, August 15, 1979, the Commission sought an explanation of the shorter useful lives. Muhlenberg responded that, due to the corrosive nature of the soil, the asbestos cement pipe originally installed was rapidly deteriorating and does have a shorter useful life.¹⁹ Other estimates of useful lives were based on Internal Revenue Service's Accelerated Cost Recovery System,²⁰ in the case of transportation equipment, on actual experience, in the case of pumping equipment,²¹ on little or no substantive basis for the remainder.²²

The Commission is of the opinion that the Accelerated Cost Recovery System is not a sound basis for establishing depreciation

¹⁸ Exhibit No. 4, Application dated December 14, 1984.

¹⁹ Response to Item No. 2, Commission's Second Data Request.

²⁰ T.E., p. 84.

²¹ T.E., p. 182.

²² Responses to Item No. 2 and No. 3, Commission's First Data Request; Response to Item No. 1, Commission's Second Data Request.

rates for rate-making purposes. The Commission is of the opinion that the guidelines for depreciation practices as established by the National Association of Regulatory Utility Commissioners are superior when no other empirical evidence is contrary. The Commission is of the opinion that the evidence for shorter useful lives of the asbestos cement pipe and the pumping equipment are persuasive.

Therefore, in recognition of shorter useful lives for the asbestos cement pipe and the pumping equipment, and utilizing the established depreciation guidelines, the Commission has determined Muhlenberg's depreciation expense for rate-making purposes to be \$110,593 as set out in Appendix B to this Order.

Thus, the Commission has increased test-period reported Depreciation Expense by \$11,470 annually for rate-making purposes.

Rate Case Expenses

Muhlenberg proposed an adjustment of \$3,768 annually based on a 3-year amortization at 12 percent of \$9,500 expended for rate case expenses.²³ The Commission is of the opinion that a substantial portion of the \$9,500 rate case expenses is attributable to Case No. 9019, which the Commission dismissed by its Order of January 28, 1985. Furthermore, the Commission can find no evidence of record which shows that debt was incurred to fund the rate case expenses. The Commission feels that the maximum portion of rate case expense attributable to this case is 50 percent. Therefore, based on a 50 percent allocation and a

²³ Exhibit No. 16 of Application, December 14, 1984.

3-year amortization without interest, the Commission has determined \$1,583 to be a reasonable amount of rate case expense for rate-making purposes.

Late Filed Adjustments

At the hearing, Muhlenberg proposed additional adjustments. Those not discussed elsewhere in this Order are an adjustment of \$2,898 annually to increase FICA taxes, and an adjustment of \$2,569 annually to increase retirement costs. Both adjustments were based on the proposed increase of \$41,106 annually in Wages and Salaries.²⁴

As the proposed increase in these costs is directly associated with the amount of Wages and Salaries denied earlier herein, the Commission reiterates that these adjustments are too far beyond the accepted test period, create a mismatch of revenues, expenses, and capital, and, furthermore, are not sufficiently documented to include for rate-making purposes. Thus, the Commission denies the proposed increase in FICA and retirement expenses. Additionally, the Commission has reduced FICA taxes by \$1,369 annually to be consistent with the disallowance for rate-making purposes of the part-time labor denied elsewhere herein.

Therefore, test-period operations have been adjusted to produce the following results:

²⁴ Revised Exhibit No. 15 of June 24, 1985.

	<u>Reported Test Period</u>	<u>Adjustments to Test Period</u>	<u>Adjusted Test Period</u>
Total Operating Revenues	\$ 661,474	\$ 133,425	\$ 794,899
Total Operating Expenses	<645,191>	< 37,957>	<683,148>
Operating Income	<u>\$ 16,283</u>	<u>\$ 95,468</u>	<u>\$ 111,751</u>

Water Loss Demonstration Project

Muhlenberg proposed, under the Commission's Water Loss Demonstration Project, to include 100 percent recapture of its excessive water loss plus an additional \$19,000 annually for leak detection and repair.²⁵ Muhlenberg expended approximately \$10,000 for mapping and leak detection during 1984.²⁶ Muhlenberg's most recent unaccounted-for water is 20.7 percent.²⁷

Based on the record as submitted, the Commission is of the opinion that the proposed \$19,000 adjustment lacks sufficient documentation to be included in the Water Loss Demonstration Project. However, the Commission does feel that Muhlenberg is entitled to recapture, over a 3-year period, the amount expended in good faith for mapping and leak detection during 1984. For the excessive 5.7 percent unaccounted-for water not allowed for rate-making purposes as a cost of service under the Purchased Water Section elsewhere in this Order, Muhlenberg is entitled to an additional \$22,000 annually under the conditions of the Water Loss Demonstration Project.

²⁵ Exhibit No. 15 of Application dated December 14, 1984.

²⁶ T.E., p. 35.

²⁷ Item No. 3 of Data filed June 24, 1985.

Thus, the Commission has increased Muhlenberg's revenue requirement by \$25,333 annually, to be applied as a surcharge for no longer than 3 years. Muhlenberg, under the conditions of the Water Loss Demonstration Project, must account for all monies received and expended on a quarterly basis to reduce its excessive unaccounted-for water. As soon as it becomes possible, Muhlenberg should identify the sources of the excessive unaccounted-for water, estimate or prioritize the amount of water loss from each source, and submit to the Commission a detailed plan to include a time schedule and targeted results. Furthermore, as part of the Water Loss Demonstration Project, Muhlenberg is subject to rate design restrictions discussed elsewhere in this Order.

REVENUE REQUIREMENTS

Muhlenberg has an average debt service obligation of \$179,065 from 1985 through 1989. The Commission is of the opinion that the adjusted operating income of \$114,427 is inadequate to meet Muhlenberg's debt service obligations and its operating expenses in a timely manner and has determined Muhlenberg's increase in operating revenues as follows:

Adjusted Operating Expenses	\$ 683,148
Average Debt Service	179,065
20 Percent Coverage	35,813
Water Loss Demonstration Project Surcharge	25,333
	<u>\$ 923,359</u>
Adjusted Interim Revenues	<794,899>
Other Income	< 36,713>
Revenues Required above Interim Revenues	<u>\$ 91,747</u>

The Commission is of the opinion that an increase in Muhlenberg's annual revenues of \$91,747 above interim revenues previously granted will allow Muhlenberg to service its debt, to

meet its operating expenses, to participate meaningfully in the Water Loss Demonstration Project, and will permit a reasonable surplus for equity growth.

RATE DESIGN

Muhlenberg proposed to establish a separate gallonage allowance and minimum bill to be charged to each size connection. The Commission is of the opinion that a minimum usage allowance and a minimum charge for the various size connections based on capacity flow is fair, just, and reasonable and should be approved.

Muhlenberg presently serves five trailer parks and proposed to establish a minimum gallonage allowance for each trailer park based on the number of pads in each park times the residential minimum of 2,000 gallons. Each trailer park would be charged a minimum bill based on the number of trailer pads times the residential minimum bill. The remaining usage would be charged at the residential rates beginning in the rate block determined by the minimum gallonage allowance.

The Commission has denied this proposal based on testimony at the hearing which indicated that the trailer park owners installed and maintain the lines beyond the master meter within the trailer parks. Since Muhlenberg does not incur any costs associated with maintaining the lines within the trailer parks the Commission is of the opinion that the proposed minimum bills for each trailer pad should be denied.

FINDINGS AND ORDERS

1. Muhlenberg's proposed rates are unfair, unjust and unreasonable in that they produce revenues in excess of those found reasonable herein.

2. The rates and charges in Appendix A will produce operating revenues of \$886,646 annually and are fair, just and reasonable rates in that they will produce revenues sufficient, when considering other income, to permit Muhlenberg to pay its operating expenses, service its debt, participate meaningfully in the Water Loss Demonstration Project, and provide a reasonable surplus.

3. Muhlenberg should account for all monies received and expended under the terms of the Water Loss Demonstration Project on a quarterly basis, and should submit a report of said accounting within 45 days of the close of a calendar quarter.

4. Muhlenberg should identify the sources of the excessive unaccounted-for water, estimate or prioritize the amount of water loss from each source, and submit to the the Commission a detailed plan to reduce its excessive unaccounted-for water within 30 days from the date of this Order.

5. The duration of Muhlenberg's participation in the Water Loss Demonstration Project should be no longer than 3 years.

6. Muhlenberg's proposal to establish a separate gallonage allowance and minimum bill to be charged to each size connection should be approved.

7. Muhlenberg's proposal to establish a minimum gallonage allowance and minimum bill for each trailer park, based on the number of pads within the park, should be denied.

IT IS THEREFORE ORDERED that Muhlenberg's proposed rates as set forth in its application be and they hereby are denied.

IT IS FURTHER ORDERED that the rates and charges in Appendix A are fair, just and reasonable for water service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that Muhlenberg shall account for all monies received and expended under the terms of the Water Loss Demonstration Project on a quarterly basis and shall submit a report of said accounting within 45 days of the close of each calendar quarter.

IT IS FURTHER ORDERED that Muhlenberg shall identify the sources of the excessive unaccounted-for water, estimate or prioritize the amount of water loss from each source, and submit to the Commission a detailed plan to reduce its excessive unaccounted-for water to include a time schedule and target results within 30 days from the date of this Order.

IT IS FURTHER ORDERED that the duration of Muhlenberg's participation in the Water Loss Demonstration Project shall be no longer than 3 years.

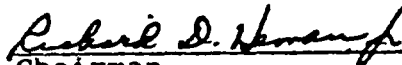
IT IS FURTHER ORDERED that Muhlenberg's proposal to establish a separate gallonage allowance and minimum bill to be charged to each size connection be and it hereby is approved as set out in Appendix A of this Order.


IT IS FURTHER ORDERED that Muhlenberg's proposal to establish a minimum gallonage allowance and minimum bill for each trailer park based on the number of pads within the park be and it hereby is denied.

IT IS FURTHER ORDERED that within 30 days from the date of this Order Muhlenberg shall file with this Commission its revised tariff sheets setting out the rates for water service approved herein.

Done at Frankfort, Kentucky, this 9th day of October, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9262 DATED OCTOBER 9, 1985

The following rates and charges are prescribed for the customers in the area served by Muhlenberg County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES: Monthly

First 2,000 gallons	\$ 7.43 Minimum Bill
Next 8,000 gallons	3.40 per 1,000 gallons
Next 10,000 gallons	2.96 per 1,000 gallons
Next 30,000 gallons	2.43 per 1,000 gallons
Over 50,000 gallons	1.68 per 1,000 gallons

Minimum Charges: All metered customers shall pay a minimum charge based on the size of meter installed. Such minimum charge will entitle the customer to as much water as the charge will pay for at the scheduled meter rates. Water used in excess of such amount will be billed at the meter rate schedule.

<u>Connection Size</u>	<u>Gallons</u>	<u>Minimum Charge</u>
5/8 x 3/4 - Inch Connection	2,000	\$ 7.43
1 - Inch Connection	5,000	17.63
2 - Inch Connection	16,000	52.39
3 - Inch Connection	30,000	88.53
4 - Inch Connection	50,000	137.13
6 - Inch Connection	100,000	221.13

Wholesale Rates

Drakesboro \$ 1.32 per 1,000 gallons

Muhlenberg County Water
District No. 1. 1.32 per 1,000 gallons

Water Loss Demonstration Project
Surcharge \$ 0.60 per bill *

* The water loss demonstration project surcharge shall remain in effect for a period not to exceed 3 years from the date of this Order.

APPENDIX B

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 9262, DATED OCTOBER 9, 1985

		<u>Depreciation</u>	
Utility Plant in Service	\$4,249,427		
Contributions in Aid of Construction	<u><1,405,231></u>		
	\$2,844,196		
Portion Asbestos Cement Pipe	X 368		
Asbestos Cement Pipe		\$1,023,103	
20-Year Useful Life		X .05	
			\$ 51,155
	\$2,844,196		
Portion Plastic Pipe	X 648		
		\$1,820,285	
Capitalized Items		3,292	
		\$1,823,577	
63-year Useful Life (midpoint)		X .0158	
			28,813
Office Furniture	\$ 21,050		
Capitalized Items	<u>1,137</u>		
	\$ 22,187		
22-Year Useful Life (low point)	X .045		
			1,008
Transportation			
Equipment	\$ 23,092		
5-Year Useful Life (low point)	X .2		
			4,618
Power Operation			
Equipment	\$ 17,818		
15-Year Useful Life (high point)	X .067		
			1,188
Communication			
Equipment	\$ 11,202		
10-Year Useful Life (midpoint)	X .1		
			1,120
Miscellaneous	\$ 606		
Proposed 5-Year Useful Life	X .2		
			121
Structures	\$122,157		
40-Year Useful Life (upper point)	X .025		
			3,054
Pumping Equipment	\$184,230		
Proposed 10-Year Life	<u>10,936</u>		
	\$ 195,166		
	X .1		
			19,516
Depreciation Expense			<u>\$ 110,593</u>